



CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		
	September 26, 2020	June 27, 2020	September 28, 2019
	(in thousands, except per share data)		
Net revenues	\$ 619,357	\$ 545,369	\$ 533,040
Cost of goods sold	202,343	183,001	189,717
Gross margin	417,014	362,368	343,323
Operating expenses:			
Research and development	115,466	110,173	108,989
Selling, general and administrative	82,954	72,893	76,115
Intangible asset amortization	919	810	756
Severance and restructuring expenses	8,813	678	1,434
Other operating expenses (income), net	7,428	(173)	25
Total operating expenses	215,580	184,381	187,319
Operating income	201,434	177,987	156,004
Interest and other income (expense), net	(7,037)	(8,488)	1,829
Income before taxes	194,397	169,499	157,833
Provision for (benefit from) income taxes ⁽¹⁾⁽²⁾	24,883	(37,799)	17,677
Net income	\$ 169,514	\$ 207,298	\$ 140,156
Earnings per share:			
Basic	\$ 0.64	\$ 0.78	\$ 0.52
Diluted	\$ 0.63	\$ 0.77	\$ 0.51
Shares used in the calculation of earnings per share:			
Basic	266,831	266,639	271,388
Diluted	269,529	268,777	274,436
Dividends paid per share	\$ 0.48	\$ 0.48	\$ 0.48

SCHEDULE OF SPECIAL ITEMS
(Unaudited)

	Three Months Ended		
	September 26, 2020	June 27, 2020	September 28, 2019
	(in thousands)		
Cost of goods sold:			
Intangible asset amortization	\$ 4,363	\$ 3,528	\$ 3,111
Merger related expenses ⁽³⁾	1,335	—	—
Cost of COVID-19 response programs	938	1,591	—
Total	\$ 6,636	\$ 5,119	\$ 3,111
Operating expenses:			
Merger related expenses ⁽³⁾	\$ 6,607	\$ —	\$ —
Intangible asset amortization	918	810	756
Severance and restructuring	8,813	678	1,434
Other operating expenses (income), net ⁽³⁾	7,428	(173)	25
Total	\$ 23,766	\$ 1,315	\$ 2,215
Interest and other expense (income), net	\$ (535)	\$ 1,484	\$ 207
Total	\$ (535)	\$ 1,484	\$ 207
Provision for (benefit from) for income taxes:			
Impact of U.S. tax legislation ⁽¹⁾	\$ —	\$ 6,486	\$ —
Impact of income tax audit settlements ⁽²⁾	—	(51,197)	—
Total	\$ —	\$ (44,711)	\$ —

(1) Includes effect of U.S. tax legislation enacted on December 22, 2017.

(2) Includes effect of income tax audit settlements.

(3) Includes ADI merger related expenses such as accelerated stock-based compensation expense resulting from the acceleration of certain RSAs for tax withholding purposes, as well as other legal and professional services.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

September 26, 2020
June 27, 2020
September 28, 2019

(in thousands)

ASSETS
Current assets:

Cash and cash equivalents	\$ 1,595,089	\$ 1,578,670	\$ 1,695,191
Short-term investments	17,022	35,536	98,176
Total cash, cash equivalents and short-term investments	1,612,111	1,614,206	1,793,367
Accounts receivable, net	449,376	404,778	370,316
Inventories	265,664	259,626	235,959
Other current assets	29,816	39,219	24,982
Total current assets	2,356,967	2,317,829	2,424,624
Property, plant and equipment, net	542,421	550,406	574,097
Intangible assets, net	82,679	87,959	52,376
Goodwill	562,540	562,540	532,251
Other assets	108,920	110,569	97,439
TOTAL ASSETS	\$ 3,653,527	\$ 3,629,303	\$ 3,680,787

LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:

Accounts payable	\$ 86,831	\$ 91,982	\$ 81,794
Price adjustment and other revenue reserves	144,255	148,916	90,206
Income taxes payable	53,655	43,457	31,704
Accrued salary and related expenses	115,460	126,751	96,168
Accrued expenses	46,119	42,228	42,644
Total current liabilities	446,320	453,334	342,516
Long-term debt	994,381	994,022	992,944
Income taxes payable	360,164	385,072	446,138
Other liabilities	141,643	139,418	117,903
Total liabilities	1,942,508	1,971,846	1,899,501

Stockholders' equity:

Common stock and capital in excess of par value	12,461	266	271
Retained earnings	1,713,153	1,671,786	1,793,012
Accumulated other comprehensive loss	(14,595)	(14,595)	(11,997)
Total stockholders' equity	1,711,019	1,657,457	1,781,286
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 3,653,527	\$ 3,629,303	\$ 3,680,787



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months Ended

	September 26, 2020	June 27, 2020	September 28, 2019
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 169,514	\$ 207,298	\$ 140,156
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	35,730	23,290	24,671
Depreciation and amortization	24,199	36,384	23,921
Deferred taxes	(1,103)	14,386	453
Loss from sale of property, plant and equipment	63	557	376
Other Adjustments	1,867	2,127	27
Changes in assets and liabilities:			
Accounts receivable	(44,798)	(24,078)	(10,300)
Inventories	(5,986)	(34,562)	10,578
Other assets	4,159	(25,769)	(52,443)
Accounts payable	(3,423)	5,405	1,242
Price adjustment and other revenue reserves	(4,461)	37,681	(10,284)
Income taxes payable	(14,710)	(45,855)	(25,341)
All other accrued liabilities	1,460	15,465	38,214
Net cash provided by operating activities	<u>162,511</u>	<u>212,329</u>	<u>141,270</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment	(12,728)	(15,680)	(20,631)
Proceeds from sales of property, plant and equipment	4	124	43
Proceeds from sales of available-for-sale securities	—	1,290	—
Proceeds from maturity of available-for-sale securities	18,425	10,734	42,921
Payment in connection with business acquisition, net of cash acquired	—	(69,270)	—
Purchases of investments in privately-held companies	(84)	(1,840)	—
Proceeds from sale of investments in privately-held companies	25	205	516
Other investing activities	—	2	(35)
Net cash provided by (used in) investing activities	<u>5,642</u>	<u>(74,435)</u>	<u>22,814</u>
Cash flows from financing activities:			
Net issuance of restricted stock units and awards	(17,018)	(6,741)	(9,943)
Proceeds from stock options exercised	2,632	2,240	7,482
Issuance of common stock under employee stock purchase program	—	23,725	—
Repurchase of common stock	(9,201)	(82,299)	(93,552)
Dividends paid	(128,147)	(128,058)	(130,222)
Net cash used in financing activities	<u>(151,734)</u>	<u>(191,133)</u>	<u>(226,235)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	16,419	(53,239)	(62,151)
Cash, cash equivalents and restricted cash			
Beginning of period	\$ 1,585,428	\$ 1,638,667	\$ 1,757,342
End of period	<u>\$ 1,601,847</u>	<u>\$ 1,585,428</u>	<u>\$ 1,695,191</u>
Total cash, cash equivalents, and short-term investments			
	<u>\$ 1,612,111</u>	<u>\$ 1,614,206</u>	<u>\$ 1,793,367</u>
Cash, cash equivalents and restricted cash:			
Cash and cash equivalents	\$ 1,595,089	\$ 1,578,670	\$ 1,695,191
Restricted cash in Other assets	6,758	6,758	—
Total cash, cash equivalents and restricted cash	<u>\$ 1,601,847</u>	<u>\$ 1,585,428</u>	<u>\$ 1,695,191</u>

ANALYSIS OF GAAP VERSUS GAAP EXCLUDING SPECIAL ITEMS DISCLOSURES

(Unaudited)

	Three Months Ended		
	September 26, 2020	June 27, 2020	September 28, 2019
(in thousands, except per share data)			
Reconciliation of GAAP gross profit to GAAP gross profit excluding special items:			
GAAP gross profit	\$ 417,014	\$ 362,368	\$ 343,323
GAAP gross profit %	67.3%	66.4%	64.4%
Special items:			
Intangible asset amortization	4,363	3,528	3,111
Merger related expenses ⁽¹⁾	1,335	—	—
Cost of COVID-19 response programs	938	1,591	—
Total special items	6,636	5,119	3,111
GAAP gross profit excluding special items	\$ 423,650	\$ 367,487	\$ 346,434
GAAP gross profit % excluding special items	68.4%	67.4%	65.0%
Reconciliation of GAAP operating expenses to GAAP operating expenses excluding special items:			
GAAP operating expenses	\$ 215,580	\$ 184,381	\$ 187,319
Special items:			
Merger related expenses ⁽¹⁾	6,607	—	—
Intangible asset amortization	918	810	756
Severance and restructuring	8,813	678	1,434
Other operating expenses (income), net ⁽¹⁾	7,428	(173)	25
Total special items	23,766	1,315	2,215
GAAP operating expenses excluding special items	\$ 191,814	\$ 183,066	\$ 185,104
Reconciliation of GAAP net income to GAAP net income excluding special items:			
GAAP net income	\$ 169,514	\$ 207,298	\$ 140,156
Special items:			
Intangible asset amortization	5,281	4,338	3,867
Merger related expenses ⁽¹⁾	7,942	—	—
Cost of COVID-19 response programs	938	1,591	—
Severance and restructuring	8,813	678	1,434
Other operating expenses (income), net ⁽¹⁾	7,428	(173)	25
Interest and other expense (income), net	(535)	1,484	(207)
Pre-tax total special items	29,867	7,918	5,119
Other income tax effects and adjustments ⁽²⁾	(4,272)	(14,378)	(3,506)
Impact of U.S. tax legislation ⁽³⁾	—	6,486	—
Impact of income tax audit settlements ⁽⁴⁾	—	(51,197)	—
GAAP net income excluding special items	\$ 195,109	\$ 156,127	\$ 141,769
GAAP net income per share excluding special items:			
Basic	\$ 0.73	\$ 0.59	\$ 0.52
Diluted	\$ 0.72	\$ 0.58	\$ 0.52
Shares used in the calculation of earnings per share excluding special items:			
Basic	266,831	266,639	271,388
Diluted	269,529	268,777	274,436

(1) Includes ADI merger related expenses such as accelerated stock-based compensation expense resulting from the acceleration of certain RSAs for tax withholding purposes, as well as other legal and professional services.

(2) Includes tax effect of pre-tax special items and miscellaneous tax adjustments.

(3) Includes effect of U.S. tax legislation enacted on December 22, 2017.

(4) Includes effect of income tax audit settlements.